

# 2007 VERMONT FIDUCIARY RETURN OF INCOME

or FISCAL YEAR ending \_\_\_\_\_

Name of Estate or Trust  Name, Address & Title of Fiduciary		<input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> Revocable Trust <input type="checkbox"/> Irrevocable Trust	Employer Identification Number  Date of Death  State of Domicile at Death and/or Creation of Trust	<input type="checkbox"/> Check here if this is an <b>AMENDED</b> return
<div style="display: flex; justify-content: space-between;"><div>Were any distributions reported on Line 18 of Federal Form 1041 made to nonresident beneficiaries? <input type="checkbox"/> Yes <input type="checkbox"/> No</div><div>Did the estate or trust have non-VT municipal bond income? <input type="checkbox"/> Yes <input type="checkbox"/> No (If yes, see instructions for both Line 2 and Schedule A.)</div><div>Are any present or future trust beneficiaries skip persons? <input type="checkbox"/> Yes <input type="checkbox"/> No</div></div>				
1. Federal taxable income from Form 1041, Line 22, or modified gross income of Qualified Settlement Fund (Form 1120-SF, Line 14) . . . . .		1.	\$	
2. <b>Additions to Federal taxable income</b> Income from non-VT state and local obligations (from Schedule A, Line 18) . . . . .		2.		
3. Add Lines 1 and 2 . . . . .		3.		
4. <b>Subtractions from Federal taxable income</b> 4a. Interest income from U.S. obligations . . . . . 4a. \$ 4b. <span style="margin-left: 100px;">x 40%</span> . . . . . 4c. \$ <div style="margin-left: 20px; font-size: small;">Capital Gains (see instructions) Enter "0" if negative or a capital loss amount</div> 4d. Total subtractions (add Lines 4a and 4c) . . . . . 4d.				
5. VT taxable income (subtract Line 4d from Line 3) . . . . .		5.		
6. VT tax from Schedule B, Line 23 or Line 25 . . . . .		6.		
7. Income adjustment (from Schedule C, Line 29, or 100.00%) . . . . .		7.	%	
8. Adjusted tax (multiply Line 6 by Line 7) . . . . .		8.		
9. Other states credit (from Schedule D, Line 35) . . . . .		9.		
10. Total VT taxes (subtract Line 9 from Line 8) . . . . .		10.		
11. <b>Payments</b> 11a. Estimated Tax and/or Extension Payments . . . . . \$ 11b. VT Real Estate Withholding. Attach copy of Form RW-171 . . . . . \$ 11c. Nonresident Payments from VT Form WH-435 . . . . . \$ 11d. 2006 Overpayment Applied . . . . . \$ 11e. Sum of Lines 11a, 11b, 11c, and 11d . . . . . 11e.				
12. <b>Overpayment:</b> If Line 10 is less than Line 11e, subtract Line 10 from Line 11e . . . . .		12.		
13. Amount of overpayment to be credited to 2008 taxes . . . . .		13.		
14. Amount of overpayment to be REFUNDED: Line 12 less Line 13 . . . . .		14.		
15. BALANCE DUE: If Line 11e is smaller than Line 10, enter amount due . . . . .		15.		
<b>File this return with the VT Department of Taxes, Montpelier, VT 05633-1401, no later than the 15th day of the fourth month following the close of the operating or income year. Attach a legible copy of the U.S. Income Tax Return for Estates and Trusts, Form 1041; or, Federal Form 1120-SF for the same taxable period.</b>				
<div style="display: flex; justify-content: space-between;"><div>Under penalties of perjury, I have examined the above information, and to the best of my knowledge and belief, it is true, correct, and complete. Preparers cannot use return information for purposes other than preparing returns.  <b>SIGN HERE</b></div><div>Date</div><div>Telephone Number</div></div>				
<div style="display: flex; justify-content: space-between;"><div><input type="checkbox"/> Check here if authorizing the VT Department of Taxes to discuss this return and attachments with your preparer.</div><div></div><div></div></div>				
<b>Preparer's Use Only</b> Preparer's signature Address City, State, ZIP Code		Date	Telephone Number	

**SCHEDULE A. TAXABLE MUNICIPAL BOND INCOME**

<b>16.</b> Total interest and dividend income from all state and local obligations exempt from Federal tax . . . . .	<b>16.</b>	\$
<b>17.</b> Interest and dividend income from VT state and local obligations included in Line 16. . . . .	<b>17.</b>	
<b>18. INCOME FROM NON-VT STATE AND LOCAL OBLIGATIONS TO BE ADDED TO VT TAXABLE INCOME.</b> (Subtract Line 17 from Line 16, but not less than zero.) Enter here and on Line 2. <b>(If municipal bond income was distributed, it is not taxable on this return.)</b> . . . . .	<b>18.</b>	

**SCHEDULE B. TAX COMPUTATION**

If using Federal Form 1041, complete Lines 19 - 23; if using Federal Form 1120-SF, complete Lines 24 & 25.

<b>19.</b> VT tax from tax rate schedule (see instructions). . . . .	<b>19.</b>	
<b>20. Additions to VT tax</b>		
<b>20a.</b> Tax on lump-sum distributions (from Federal Form 1041, Schedule G, Line 1b) . . . . .	<b>20a.</b>	
<b>20b.</b> Recapture of Federal investment credit . . . . .	<b>20b.</b>	
<b>20c.</b> Total additions (add Lines 20a and 20b; then, multiply by 24%) . . . . .	<b>20c.</b>	
<b>21.</b> Add Lines 19 and 20c . . . . .	<b>21.</b>	
<b>22. Subtractions from VT tax</b>		
<b>22a.</b> Investment tax credit . . . . .	<b>22a.</b>	
<b>22b.</b> Total subtractions (Multiply Line 22a by 24%) . . . . .	<b>22b.</b>	
<b>23.</b> Total tax. Subtract Line 22b from Line 21. Enter here and on Line 6. . . . .	<b>23.</b>	
<b>OR</b>		
<b>24.</b> If filing for Qualified Settlement Fund, enter amount from Federal Form 1120-SF, Line 14 . . . . .	<b>24.</b>	
<b>25.</b> Multiply amount on Line 24 by 9.5%. Enter here and on Line 6 . . . . .	<b>25.</b>	

**SCHEDULE C. INCOME ADJUSTMENT**

<b>26.</b> Total Income (from Schedule E, Line 45, Column A) . . . . .	<b>26.</b>	
<b>27.</b> Non-VT income of nonresident or part-year resident estate or trust (from Schedule E, Line 46) . . . . .	<b>27.</b>	
<b>28.</b> VT income (subtract Line 27 from Line 26) . . . . .	<b>28.</b>	
<b>29.</b> Adjustment percentage. Divide Line 28 by Line 26. Enter here and on Line 7 . . . .	<b>29.</b>	%

**SCHEDULE D. VT CREDIT FOR TAX PAID TO OTHER STATE OR CANADIAN PROVINCE  
FOR RESIDENTS AND PART-YEAR RESIDENTS ONLY**

You must complete a separate Schedule D for each state or Canadian province. See instructions.

<b>30a.</b> _____ Total income taxed in another state or Canadian province and also subject to VT tax	<b>30b.</b> _____ Capital Gains (40% of long-term capital gains reported to other state or Canadian province. See instructions)	<b>= 30c.</b> _____ Line 30a minus Line 30b
<b>31a.</b> _____ Total income (From Federal Form 1041, Line 9)	<b>31b.</b> _____ Capital Gains Exclusion (From Form FI-161, Line 4c)	<b>= 31c.</b> _____ Line 31a minus Line 31b
<b>32.</b> VT Fiduciary Income Tax (from Line 6) ..... <b>32.</b> _____		
<b>33. Computed tax credit: Divide Line 30c by Line 31c and multiply by Line 32</b> <b>Line 30c</b> _____ <b>x Line 32</b> _____ <b>Line 31c</b> ..... <b>33.</b> _____		
<b>34.</b> Amount of TAX paid to other state or Canadian province on income on Line 30c ..... <b>34.</b> _____		
<b>35. Credit for tax paid to other state or Canadian province</b> Enter the lesser of Line 33 or 34 here and on Line 9. .... <b>35.</b> _____		
Name of state or Canadian province <span style="border: 1px solid black; display: inline-block; width: 150px; height: 20px; vertical-align: middle;"></span>		
<b>COPIES OF NONRESIDENT RETURNS MUST BE ATTACHED</b>		

**SCHEDULE E. NONRESIDENTS AND PART-YEAR RESIDENTS must complete this section**

INCOME	A. Federal Amount \$	B. VT Portion \$
<b>36.</b> Interest income ..... <b>36.</b>		
<b>37.</b> Total ordinary dividends ..... <b>37.</b>		
<b>38.</b> Business income or (loss) ..... <b>38.</b>		
<b>39.</b> Capital gain (or loss) ..... <b>39.</b>		
<b>40.</b> Rents, royalties, partnerships, S Corporations, LLCs, other estates and trusts, etc. .... <b>40.</b>		
<b>41.</b> Farm income (or loss) ..... <b>41.</b>		
<b>42.</b> Ordinary gain (or loss) ..... <b>42.</b>		
<b>43.</b> Other income (specify type of income) ..... <b>43.</b>		
<b>44.</b> Income from non-VT municipal obligations (Schedule A, Line 18) ..... <b>44.</b>		
<b>45.</b> Total income (add Lines 36 through 44) ..... <b>45.</b>		
<b>46.</b> Non-VT income (Column A, Line 45 less Column B, Line 45). Enter here and on Schedule C, Line 27 ..... <b>46.</b>		
Dates of VT residency in 2007: From: _____ to: _____ Name of resident state(s), Canadian province(s), or country during period of nonresidency in VT: _____		

## GENERAL INFORMATION

### WHO MUST FILE A 2007 VT FIDUCIARY RETURN OF INCOME (Form FI-161)?

A VT Fiduciary Return of Income must be filed for every estate and trust required to file a U.S. Income Tax Return for Estates and Trusts and that earned or received more than \$100 of VT income OR received more than \$1,000 in gross income from the sources listed under VT Portion on Schedule E.

A VT Fiduciary Tax Return must be filed for any Section 468B Designated and Qualified Settlement Funds required to file a Federal Form 1120-SF that earned or received more than \$100 of VT income OR that earned or received more than \$1,000 in gross income from the sources listed under VT Portion on Schedule E.

A VT Fiduciary Tax Return must also be filed for an Electing Small Business Trust required to file a Federal 1041.

A VT Fiduciary Tax Return filer may be entitled to certain State incentives or credits.

**NOTE:** Use VT Income Tax Form IN-111, not this form, to report income of a decedent from the beginning of the tax year to the date of death.

If you have any questions, contact the VT Department of Taxes at (802) 828-2548.

### DEFINITIONS

**Resident Estate** means the estate of a decedent who was domiciled in Vermont at the time of death.

**VT Income of a Resident Estate or Trust** means the adjusted gross income of a resident less income exempted from state taxation under the laws of the United States.

**VT Income of a Nonresident Estate or Trust** means the sum of the following items, to the extent the items are required to be included in Federal adjusted gross income:

- Rents and royalties from ownership of property located in VT
- Gains from the sale or exchange of VT property including the sale of timber or timber rights
- Wages, salaries, commissions or other income received for services performed in VT
- Income from every business, trade, profession or occupation conducted in VT, including money received 1) under an agreement not to compete with a business operation in VT, 2) for goodwill associated with the sale of a VT business, or 3) for contractual services associated with the sale of a VT business, unless it is shown that the compensation for services does not constitute income from the sale of the business
- VT income previously deferred under a non-qualified deferred compensation plan and income derived from such previously deferred income
- Lottery winnings from ticket(s) purchased in VT for VT Lottery, Tri-State Lottery, or Power-Ball.

**VT Income of Part-Year Resident Estate or Trust** means any income described in VT Income of a Nonresident Estate or Trust and all items earned or received during the period of VT residency described in VT Income of a Resident Estate or Trust.

**VT Taxable Income** means Federal taxable income with the addition of interest, dividends or other distributions from non-VT state and local obligations to the extent this income is excluded from Federal adjusted gross income, and the capital gain deferral in a previous year for investment in a qualified business upon disposition of the taxpayer's interest in the business; and subtraction of interest income from U.S. government obligations to the extent such income is included in the Federal adjusted gross income, and 40% of adjusted net capital gains as defined by I.R.S. 1(h). **NOTE:** Dividends are considered ordinary income for VT tax purposes. The capital gains treatment of dividend income for Federal income tax is not available for VT income tax.

**VT Trust** A trust is a VT trust if the settlor was a VT resident when the trust became irrevocable or if the trust is still revocable and the settlor was a VT resident when the trust was created. Also, a trust is a VT trust if the settlor was domiciled in VT at his/her death.

### EXTENSION TO FILE THE VT FIDUCIARY TAX RETURN

- To receive a six month extension of time to file the fiduciary tax return, file a copy of the Federal extension request or a letter requesting an extension of time on or before the due date. **NOTE:** An extension of time to file the Vermont Fiduciary Tax Return does not extend the due date for the tax payment. Interest and penalty accrue on any tax owed from the due date to receipt of payment.

**LATE-FILED RETURNS** - Returns without an extension of time may be filed up to 60 days after the due date without a late file penalty charge. Returns without an extension filed on the 61st day after the due date or later will be charged a \$50 late file penalty. Returns with an extension filed on or before the extended due date are not charged a late file penalty. However, returns with an extension filed one or more days after the extended due date are charged a \$50 late file penalty. **NOTE:** The late file penalty applies even if the return results in a refund or no tax due.

**TAX DUE** - Returns with tax due that are filed after the due date are assessed interest and late pay penalty charges on the unpaid tax. Interest and penalty accrues from the due date until the date paid. Interest is 0.8% per month. Penalty is 1% per month, up to 25% of the unpaid tax.

### AMENDING OR CORRECTING VT FIDUCIARY TAX RETURN INFORMATION

*VT law requires an amended VT return be filed within 60 days of knowledge of the change, or receipt of the notice of change by IRS, or the filing of an amended return with the IRS. A late file penalty will be assessed if the amended VT return is not filed within the 60 days.*

- **Change to VT income** An amended return is due even if the change is not the result of filing an amended Federal tax return or an adjustment made by the Internal Revenue Service; for example, the amount of income taxable to VT is different from the amount originally reported.
- **Change of Federal tax information by IRS** If the IRS adjusted the Federal taxable income, capital gains amount or any other change that affects the VT tax, an amended VT Fiduciary tax return must be filed within 60 days of

notification by the IRS. Attach a copy of all amended Federal returns to the VT amended return. The IRS and VT Department of Taxes routinely share information. Differences in the information on file with the IRS and the VT Department of Taxes, other than those allowed by VT law, are identified and may be audited.

- **Filing an Amended Federal tax return** Filing an amended VT return is required within 60 days of filing an amended return with the Internal Revenue Service if VT income is affected.

#### FORM FOR AMENDING VT FIDUCIARY TAX RETURN

- ☒ Check the Amended box in the upper right hand corner on the applicable tax year(s) Form FI-161.

**NET OPERATING LOSSES** - No VT refund is available for a carryback. The VT carryback or carryforward election for a net operating loss must be the same as elected for Federal purposes.

### LINE-BY-LINE INSTRUCTIONS

**Line 1:** Enter the taxable income amount from Federal Form 1041, Line 22. For Qualified Settlement Funds, enter the amount from Federal Form 1120-SF, Line 14.

**Line 2:** Income from non-VT State and local obligations is taxed in VT. Complete Schedule A to calculate this amount. For nonresident taxpayers, use Schedule E, Line 44 to adjust for non-VT State and local obligations.

**Line 4a: Interest Income from U.S. Obligations** Interest income from U.S. government obligations (such as U.S. Treasury Bonds, Bills, and Notes) is **exempt** from VT tax under the laws of the United States. Enter the amount of interest income from U.S. Obligations on this line to reduce the VT taxable income.

Interest income is exempt when received directly from the U.S. Treasury or from a trust, partnership, or mutual fund that invests in direct obligations of the U.S. government.

Income from the sale of U.S. government obligations is **taxable** in VT. Income from repurchase agreements, securities of FNMA or GNMA or other investments that are not direct obligations of the U.S. government are also taxable. See Technical Bulletin 24 for more information.

**Supporting Documentation Required** For \$2,000. or less in U.S. government interest, no attachments are required. However, acceptable statements should be obtained for the taxpayer's records in the event the Department requests such documentation.

For over \$2,000. in U.S. government interest income, attach a listing/statement showing the source of U.S. government interest income and the percentage from each source. Summary

VT 2007 Tax Rate Schedule			
If Taxable Income is Over	But Not Over	the VT Tax is	of the amount over
\$0	\$2,150	3.6%	\$0
\$2,150	\$5,000	\$77.00 + 7.2%	\$2,150
\$5,000	\$7,650	\$283.00 + 8.5%	\$5,000
\$7,650	\$10,450	\$508.00 + 9.0%	\$7,650
\$10,450	---	\$760.00 + 9.5%	\$10,450

information from a K-1, or just a statement "U.S. government securities" without further identification is not acceptable.

**NOTE: If U.S. interest is distributed on Line 18 of the Federal 1041, the deduction is lost.**

**Line 4b: Capital Gains Deduction from VT Fiduciary Taxable Income from Long-Term Capital Gains** Qualified Dividends reported for Federal purposes are not eligible for capital gains treatment for VT tax purposes. If Federal Schedule D, Part V or the Federal Tax Worksheet is used to calculate the federal tax liability AND if you did not file Federal Form 4952, refer to the following line numbers for the amount to enter on Line 4b:

Schedule D, Part V: Line 18

Schedule D, Tax Worksheet: Line 7

If you used Federal Schedule D Tax Worksheet for unrecaptured section 1250 gain (25%) or 28% gain, OR if you filed Federal Form 4952, you must complete the VT Capital Gains Worksheet.

CAPITAL GAINS WORKSHEET	
Lines A-C, enter amounts from Federal Schedule D.	
A. Smaller of Line 14a or 15. ....	A. _____
B. Line 14b _____	
C. Line 14c _____	
D. Add Lines B and C. If negative, enter zero . .	D. _____
E. Subtract Line D from Line A . . . . .	E. _____
Lines F, G, I, and J, enter amounts from Federal Form 4952. If you did not file Form 4952, enter amount from Line E on Line M.	
F. Line 4g _____	
G. Line 4e _____	
H. Multiply Line F by Line G . . . . .	H. _____
I. Line 4b _____	
J. Line 4e _____	
K. Add Lines I and J . . . . .	K. _____
L. Divide Line H by Line K . . . . .	L. _____
M. Subtract Line L from Line E. Entry cannot be less than zero. Also enter on Form FI-161, Line 4b M.	M. _____

**Line 5:** Subtract Line 4d from Line 3. This is the amount of VT taxable income.

**Line 6:** Go to Schedule B to compute the tax on VT taxable income. Enter the total tax amount from Line 23 or Line 25.

**Line 7:** Most taxpayers should enter 100% on this line. However, a nonresident or part-year resident estate or trust should first complete Schedule E and then Schedule C to determine the income adjustment.

**Line 9: Credit for Income Tax Paid to Other State or Province (FOR FULL-YEAR AND PART-YEAR RESIDENT ESTATES & TRUSTS)** Complete Schedule D and enter the amount here.

**Line 11a: Estimated payments are not required to be made for trusts and estates.** However, if you chose to make "estimated" payments, enter the amount paid and/or the amount paid with the Extension of Time to File on this line.



**Line 11b:** (FOR NONRESIDENTS ONLY) If VT real estate was sold during 2007 and the buyer withheld VT income tax from the sales price, enter the amount withheld shown on Form RW-171, Vermont Withholding Tax Return for Transfer of Real Property, Schedule A, Line 12 here.

For installment sales, the balance of the gain must be reported to VT on future returns or elect to pay VT 6% tax on the entire gain in the year of the sale. If you choose the 6% tax, include a letter with the return asking for the "**6% Tax Elect Out for VT Purposes**" and attach a copy of the Federal Form 6252.

**Line 11c:** (FOR NONRESIDENTS ONLY) Enter on this line the amount of payments made on behalf of the estate or trust by a partnership, limited liability company or S Corporation toward the 2007 VT Fiduciary tax. See Technical Bulletins 5 & 6.

## **SCHEDULE A**

INTEREST, DIVIDEND AND OTHER DISTRIBUTION INCOME FROM NON-VT STATE AND LOCAL OBLIGATIONS ARE TAXABLE IN VT. A VT obligation is one from the State of VT or VT municipality.

**Line 16:** Enter the total interest, dividend and distribution income received from all state and local obligations exempted from Federal tax.

**Line 17:** Enter the interest, dividend, and distribution income from VT obligations. This income may be paid directly or through a mutual fund or other legal entity that invests in VT state and local obligations. If the income is received from a mutual fund that has only a portion of its assets invested in VT state and local obligations, enter only the VT obligation amount.

**Line 18:** Subtract Line 17 from Line 16. The result cannot be less than zero. This is the amount of interest, dividend, and distribution income from state and local obligations that must be included in taxable income for VT.

## **SCHEDULE B**

If estate or trust filed Federal Form 1041, use Lines 19-23. If Federal Form 1120-SF was filed, use Lines 24-25.

**Line 19:** Compute the tax by using the VT 2007 tax rate schedule printed in the instructions.

**Lines 20a-b:** Complete these lines if the estate or trust is liable for tax on lump-sum distributions or recapture of investment credit.

**Line 20c:** Add Lines 20a and 20b and multiply the sum by 24%.

**Line 22a:** Complete this line if the estate or trust is claiming an investment credit.

**Line 22b:** Multiply the sum on Line 22a by 24%.

**Line 23: Total tax.** Subtract Line 22b from Line 21. Enter amount here and on Line 6.

**Line 24:** If filing Federal Form 1120-SF, Qualified Settlement Fund, enter amount from Federal Form 1120-SF, Line 14 here.

**Line 25:** Multiply Line 24 amount by 9.5%. Enter amount here and on Line 6.

## **SCHEDULE C**

Nonresident or part-year resident estates or trusts must first complete Schedule E to determine the non-VT portion of income used in calculating the adjustment percentage on Schedule C.

## **SCHEDULE D**

(FOR FULL-YEAR AND PART-YEAR VT RESIDENT ESTATES AND TRUSTS ONLY) A credit may be allowed against VT fiduciary income tax on estate income tax paid to another state or Canadian province on income taxed by both VT and the other taxing jurisdiction. The credit does not include city or county taxes. Credit for Canadian provincial income tax excludes the portion used as a foreign tax credit on Federal Form 1041.

**Supporting Documentation Required** Copy of the tax return filed in the other state(s). For Canadian province(s), a copy of the provincial tax return filed, and if filed, Revenue Canada income tax return. Convert amounts on Canadian returns to U.S. dollars.

### **More Than One State or Province?**

- Complete a VT Schedule D for each state or Canadian province.
- Enter the total income taxed by the other state or province.
- Add Line 35 from each VT Schedule D to get the tax credit entry on Form FI-161, Line 9.
- Attach all VT Schedules D and a copy of each state or Canadian provincial income tax return to the VT Fiduciary Return of Income.

**Line 30a:** Enter the total income from sources outside VT. Include only income that is taxed by VT and also taxed by another state or Canadian province. For Qualified Settlement Funds, enter the gross income from Form 1120-SF, Line 6, which is taxed in VT and in the other state or Canadian province.

**Line 30b:** The capital gain on Line 30a cannot be greater than the capital gain on Federal Form 1041, Lines 4 and/or 7. The 40% capital gain exclusion is limited to the long term capital gain reported on Federal Form 1041, Line 4.

**Line 30c:** Subtract Line 30b from Line 30a.

**Line 31a:** Enter the figure from the Federal Form 1041, Line 9. For Qualified Settlement Funds, enter the figure from Federal Form 1120-SF, Line 6.

**Line 31b:** Enter Capital Gains exclusion from VT Form FI-161, Line 4c.

**Line 31c:** Subtract Line 31b from Line 31a.

**Line 34:** Enter the amount of income tax paid to the other state or Canadian province on the income reported on Line 30c of this schedule. County and city taxes cannot be included. Use only the tax paid; withholding is not the income tax liability.

## **SCHEDULE E**

**Lines 36-43:** Enter in Column A all the items comprising Federal income as they appear on the Federal Form 1041. Enter in Column B the VT portion of all items listed in Column A.

**Line 37A:** Use amount from Federal Form 1041, Line 2a.